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Supreme Court of the United States

OCTOBER TERM 1961

No. 221

FILENE'S,
PETITIONER,

v.

ALAMANCE INDUSTRIES, INC., ET AL.,
RESPONDENTS.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIRST CIRCUIT

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No.

FILENE'S,
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v.

ALAMANCE INDUSTRIES, INC., ET AL.,
RESPONDENTS.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIRST CIRCUIT

Petitioner prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the First Circuit entered in the above entitled case on May 24, 1961.

Opinions Below

The District Court gave no opinion. Its findings of fact and conclusions of law appear in the Joint Record Appendix* (J.R.A. 123-144).

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* Citations to the record below are *J.R.A.* for reference to the Joint Record Appendix; matters appearing in the Supplemental Record Appendix below, now appear in the appendix to this petition and are cited *App.* as are other matters appearing therein.

The opinion of the Court of Appeals is reported at 129 USPQ 298, and is printed herewith in the Appendix (App. A2-A11).

Jurisdiction

The judgment of the Court of Appeals was entered on May 24, 1961 (App. A11).

The jurisdiction of this Court is invoked under 28 U.S.C. §1254(1).

Questions Presented

1. May a patentee properly be permitted to dismiss his infringement suit, after a trial date has been set, on terms and conditions which adequately protect neither the defendant, its privies, nor the public, when the suit was filed as part of a preconceived plan to harass and intimidate an entire industry, despite the fact that the patentees had reason to know of the patent's invalidity, and was designed to produce an illegal *de facto* monopoly?

2. Did the Court of Appeals improperly usurp judicial power vested by the Federal Rules of Civil Procedure in the District Court by, first finding that the District Court had failed to exercise discretion in ruling on a motion presented to it and denied by it three times, and by then substituting its own discretion for that of the District Court rather than remanding the matter to the District Court for an initial exercise of discretion?

Statutes Involved

The statutory provisions involved are 28 U.S.C. §2106, 62 Stat. 963 and 28 U.S.C. §2111, 63 Stat. 105.

The rules of procedure involved are Rule 41(a)(2) and Rule 61 of the Federal Rules of Civil Procedure.

The statutes and the rules involved are reprinted in the Appendix (App. A12-A13).

Statement

Respondents brought this action on July 23, 1959,[1] in the District of Massachusetts against Filene's, a retail store, for infringement of their "Bird et al" or "Supp-Hose" Patent 2,841,971 relating to so-called "compressive" or "support" stockings made of nylon. Federal jurisdiction was based on 28 U.S.C. §1338(a). Petitioner was and is openly defended in this action by its indemnitors, Manchester Hosiery Mills of New Hampshire and Burlington Industries, Inc. of North Carolina, which companies have no connection with each other.[2]

This action was brought seven months after the filing on December 18, 1958[3] of a declaratory judgment suit for invalidity of the patent in the Middle District of North Carolina by petitioner's indemnitor Burlington Industries, Inc. and others, *not* including Manchester Hosiery Mills.[4] Such suit was brought only after respondents had mailed hundreds of letters to retailers and jobbers threatening infringement suits against those who sold the products of the plaintiffs therein, but had failed to sue anyone.[5] In fact there was no intent on the part of respondents to sue manufacturers for infringement, but rather the stores.[6]

Still later, on November 2, 1959, respondents filed six additional infringement actions against retailers and job-

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[1] J.R.A. 1.
[2] J.R.A. 43, 87, 88, 91, 102, 120-1, 172, 313-317; App. A5-A6, A28-A31
[3] J.R.A. 30
[4] IBID
[5] J.R.A. 54-84, 292, 300
[6] J.R.A. 73

bers, indemnitees of Burlington, from Boston to Seattle (including R. H. Macy, Gimbel Bros., and Gold Medal Hosiery Co.,* all in New York, the Bon Marche Stores* in Seattle, Washington, L. S. Donaldson Stores in Minnesota, and H. Glaser & Son, a wholesaler, in Massachusetts[7]). These seven suits, including the instant one, were filed *in terrorem* in a deliberate attempt to harass the industry and to achieve maximum interference with the business of petitioner's indemnitors.[8]

After nearly fourteen months during which respondents had done nothing by way of prosecuting the present case which they had brought, petitioner requested a pretrial conference and assignment for trial.[9] Respondents thereupon moved to stay, pending disposition of the North Carolina litigation.[10] Hearing on this motion and a pretrial hearing were held on September 15, 1960, at which time Judge Wyzanski, after hearing arguments stated his understanding of the case, i.e., that it had been pending for a long time and that it operated as a cloud over the industry.[11] He then set trial for 60 days hence and refused to permit respondents to dismiss without prejudice, as their counsel suggested they would do. He offered to permit a dismissal with prejudice.[12] At this hearing petitioner conceded** in-

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* On the basis of the instant case and the decision of the North Carolina Court, summary judgments were granted for the defendants in the *Gold Medal* and *Bon Marche* cases. The former is reported at 129 U.S.P.Q. 219.

** The concession was in terms limited to Claim 1 of the patent, but as a practical matter, it removed this issue from the case. No evidence to show non-infringement was introduced by petitioner at the trial.

[7] J.R.A. 59

[8] Finding 6, et seq., J.R.A. 125, 144, See App. A6

[9] J.R.A. 26-27

[10] J.R.A. 27-28

[11] J.R.A. 159

[12] J.R.A. 159-160

fringement, thus leaving the question of validity to be tried, a matter for which respondents had prepared in the North Carolina case.[13]

Subsequently, on September 27, 1960, respondents filed a motion to dismiss the case with a covenant never again to sue Filene's for infringement of the patent in question, but in the letter accompanying the motion respondents expressly disclaimed any intent to dismiss with prejudice.[14] Petitioner filed affidavits in the District Court tending to show if not proving that respondents had inaccurately presented to the North Carolina court, the proceedings which had occurred in the instant case before Judge Wyzanski, and establishing that respondents had filed the instant case as part of a preconceived plan to harass the industry.[15] Counter-affidavits of respondents did not contradict these facts but rather showed that respondents were in fact prepared for a trial on the issue of validity.[16]

At the hearing on this motion to dismiss on October 4th, Judge Wyzanski indicated twice that he had read the affidavits and memoranda submitted by both parties demonstrating the harassing and *in terrorem* purpose and character of this and the other customer suits.[17] After hearing argument the judge reaffirmed his ruling of September 16th that he would permit only a dismissal with prejudice, and he denied the motion since it did not comply with his earlier ruling, even though at the hearing the terms offered were broadened to include attorneys' fees and costs.[18]

Subsequently, a motion by new counsel for respondents to stay was heard and denied. On the day set for trial, November 14, 1960, a further motion to dismiss without

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[13] J.R.A. 161-162
[14] J.R.A. 43-45
[15] J.R.A. 46-53; 54-84
[16] J.R.A. 93-113
[17] J.R.A. 165
[18] J.R.A. 167-168

prejudice was heard, together with a motion to dismiss on such terms and conditions "as the court may properly determine." The judge denied the former motion and he expressly failed to act at that time on the latter motion, which failed to specify any of the terms or conditions sought. Thereupon the new counsel for respondents attempted unsuccessfully to withdraw his appearance.[19] On November 15 the case was called for trial and the respondents remained mute, refusing to offer any evidence,[20] whereupon the petitioner presented its case, including evidence that during the prosecution of the patent respondents had failed to cite to the Patent Office the earlier Burlington stocking as prior art,[21] although they knew full well it was more pertinent than anything cited by the Patent Office,[22] and they understood the effect of this conduct on the validity of the patent.[23] At a later date the judge filed comprehensive findings of fact and conclusions of law, which had been, pursuant to his instructions, prepared by petitioner and, prior to filing, served upon respondents. *Inter alia*, he held the patent invalid for want of invention, that the respondents had harassed petitioner and that they had abused the process of the court.[24] On December 3, 1960, judgment was entered for petitioner dismissing the case, and awarding costs and attorneys' fees.[25]*

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* On February 10, 1961 findings of fact and conclusions of law, and an opinion were filed in the North Carolina declaratory judgment suit holding the same patent, as that involved here, invalid for concealment from the Patent Office. The opinion is reported at 191 F.Supp. 652. (That case is presently on appeal in the Fourth Circuit.)

[19] J.R.A. 178

[20] J.R.A. 183

[21] J.R.A. 138

[22] J.R.A. 138, 255, 262-5, 295-7

[23] J.R.A. 240-250, 255, 257-8, 305

[24] J.R.A. 123-144

[25] J.R.A. 144-145

On April 5, 1961, the appeal was heard.[26] The Court of Appeals on May 24, 1961, per Aldrich, C.J., ordered a judgment vacating the findings and judgment of the District Court and ordering the District Court to dismiss the case if within thirty days the respondents should renew their motion, on the conditions that no further action be brought against Filene's, that respondents agree with petitioner's indemnitor, Manchester, to be mutually bound by the outcome of the North Carolina litigation should Manchester so desire, and that respondents assist the indemnitor Manchester's intervention in such litigation should Manchester so desire.[27]

The Court of Appeals held, only on the basis of Judge Wyzanski's remarks at the hearing, that he exercised no new discretion on October 4, 1960, on respondents' motion to dismiss on terms and conditions. It therefore refused to consider the record before Judge Wyzanski on October 4th, and considered his ruling on that motion only in the light of the record of September 16.[28] The Court then held that in such light it was an abuse of discretion to refuse to dismiss on the terms respondents offered on October 4. The Court of Appeals further ruled that even if the judge exercised discretion on October 4, his reasons for refusing to permit a dismissal were inadequate.[29]

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[26] App. A1
[27] App. A11
[28] App. A7
[29] App. A10

Reasons for Granting the Writ

1. The petition brings before the Court an important question of federal procedure which has not been, but which should be, settled by this Court. The decision below not only permits but encourages patent owners to use their patents to restrain trade in a manner not contemplated by the Patent Statutes and, in principle, in conflict with the applicable decisions of this Court.

The decision stands for the principle that patentees may, after issue joined in a prior filed suit involving manufacturers, file, in bad faith, numerous customer infringement suits *solely* for the purpose of harassing an entire industry and by the *in terrorem* effect gain a *de facto* monopoly, and then discontinue any harassing suit when called for trial in a supposedly unfavorable jurisdiction.

The decision approves an abuse of the patent monopoly, though of a somewhat different kind, no less undesirable than its extension to unpatented components, (*Mercoid Corp.* v. *Mid-Continent Co.*, 320 U.S. 661) or materials (*Morton Salt Co.* v. *G. S. Suppiger*, 314 U.S. 488) or to price fixing (*U.S.* v. *Line Material Co.*, 333 U.S. 287), which have been condemned by this Court.

Moreover, the ruling is inconsistent with the policy of Rule 41(a)(2) F.R.C.P., limiting the right to dismiss after an answer has been filed.

Whatever else is to be said as to broadcasting threats and bringing numerous harassing customer suits, such conduct should be subject at the very least to the penalty that, if any such suit is called for trial, the court should be able to insist upon trial over the *plaintiff's objection*, and to adjudicate the validity of the patent.

2. The Court of Appeals usurped judicial power in a way that calls for the exercise of this Court's power of supervision over the lower federal courts.

Although the Court of Appeals found that the District Court had not exercised its discretion in denying plaintiff's motion to dismiss on terms and conditions, it nevertheless substituted its own discretion and directed in detail the action that should be taken, complete to the setting of terms and conditions at variance from anything suggested in respondents' motion. This action was in conflict with the Federal Rules of Civil Procedure, which "govern the procedure in the United States *district* courts" (Rule 1) and which expressly provide that in the circumstances here relevant "an action shall not be dismissed at the plaintiff's instance save upon order of the court and upon such terms and conditions as the court deems proper." Rule 41(a)(2). The right to exercise discretion in the first instance thus reposes in the District Court. In depriving it of this right, on its own finding of non-exercise, the Court of Appeals acted in conflict with the Federal Rules, and with the fundamental principles enforced by this Court in *Cone* v. *West Virginia Paper Co.*, 330 U.S. 212, 218 (1947), and with decisions in other Courts of Appeals such as *Stafford* v. *Russell*, 220 F.2d 853 (9 Cir. 1955). In *Cone*, respondent had failed to move for judgment n.o.v. in the District Court, thus depriving that court of the opportunity to exercise its discretion as to whether to grant such a motion or grant a new trial. The Court of Appeals nevertheless directed entry of judgment for respondent. In reversing, this Court held (p. 218):

> "In the absence of such a motion, we think the appellate court was without power to direct the District Court to enter judgment contrary to the one it had permitted to stand."

In answer to respondent's argument that affidavits respecting new trial might have been presented by petitioner to the Court of Appeals, this Court said (p. 218):

> "[This] would present the question initially to the appellate court when the primary discretionary responsibility for its decision rests on the District Court."

In *Stafford* v. *Russell*, 220 F.2d 853 (9 Cir. 1955), affirming a judgment refusing to vacate a dismissal order, the Court said (p. 855):

> "We have no power to go beyond the question as to whether the district court violated its sound discretion."

Similarly here, upon a finding of failure by Judge Wyzanski to exercise discretion, the Court of Appeals below did not thereby acquire the right to exercise such discretion in his place.

Conclusion

For the reasons stated and referred to above, it is respectfully requested that this petition be granted and that a writ of certiorari issue to the United States Court of Appeals for the First Circuit in the above-entitled case.

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Proceedings in Court of Appeals

On January 3, 1961, an order of Court was entered upon motion of the three separate appellants herein, granting leave to consolidate these three appeals and to docket as a single case in this Court.

Thereafter on January 19, 1961, an order of Court was entered denying appellants' motion for stay of judgment, after consideration of the motion, memorandum and papers in support thereof and appellee's memorandum in opposition and papers in support thereof.

Thereafter, on April 5, 1961, this cause came on to be heard and was fully heard by the Court, Honorable Peter Woodbury, Chief Judge, and Honorable John P. Hartigan and Honorable Bailey Aldrich, Circuit Judges, sitting.

Thereafter, on May 24, 1961, the following opinion was filed:

United States Court of Appeals
For the First Circuit

No. 5781.

ALAMANCE INDUSTRIES, INC., ET AL.,

PLAINTIFFS, APPELLANTS,

v.

FILENE'S,

DEFENDANT, APPELLEE.

APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS.

Before WOODBURY, *Chief Judge*, and HARTIGAN and ALDRICH, *Circuit Judges*.

Charles F. Choate, with whom *Joseph C. Cressy, Jr.*, was on brief, for appellants.

W. R. Hulbert, with whom *Edgar H. Kent*, *Martin Kirkpatrick*, and *Coleman T. Bahn* were on brief, for appellee.

OPINION OF THE COURT.

May 24, 1961.

ALDRICH, *Circuit Judge*. This appeal, involving unsuccessful attempts by a plaintiff to dismiss prior to trial under Fed. R. Civ. P. 41(a)(2), 28 U.S.C., requires an extensive examination of the factual background. Plaintiff-appellant Alamance Industries, Inc., and two other plaintiffs, all North Carolina corporations hereinafter collectively called Alamance, are owners of, and manufacturers under, the so-called Bird patent, No. 2,841,971, issued July 8, 1958. The patent is for a highly compressive, all-nylon, ladies' stocking allegedly providing substantial therapeutic support. Alamance asserts that it has invested over a

million dollars in plants and equipment for commercial production, and over a million dollars in advertising. Upon the issuance of the patent Alamance notified the trade in strong terms, but, although it appeared that there was considerable infringement, instituted no suits. On December 18, 1958, a number of competing manufacturers commenced an action against Alamance for a declaratory judgment of invalidity in the United States District Court for the Middle District of North Carolina. Among the plaintiffs was Burlington Industries, Inc., a Delaware corporation with an office in North Carolina. Not among them was Manchester Hosiery Mills, a New Hampshire corporation. Alamance filed a counterclaim for infringement. On July 23, 1959, Alamance brought the present action for infringement in the United States District Court for the District of Massachusetts against Filene's, a retailer then selling admittedly infringing stockings manufactured by Manchester. Manchester was not joined, nor otherwise sued. On November 2, 1959, Alamance brought infringement suits in various parts of the country against six more retailers or jobbers.

During this period intensive pretrial discovery was under way in the North Carolina suit. After November 2d the plaintiffs there applied for an injunction to restrain Alamance from bringing further retailer actions. The court denied this application without prejudice, but informally instructed Alamance to bring no more suits and advised all parties to allow those which had already been brought to lie dormant, and to concentrate their efforts in North Carolina. This suggestion seems to have been followed until September 1960, when Filene's, at what would now appear to be Burlington's instigation, took steps to bring its case to trial.

The Filene's case was originally drawn to Judge McCarthy. When he retired on May 31, 1960, it was trans-

ferred to another judge. On June 20, 1960, a Mr. Hulbert, now admittedly Boston patent counsel for Burlington, entered his appearance for the defendant Filene's. On September 2d Filene's filed a formal notice of prior art under 35 U.S.C. §282(4), and requested a pretrial conference and assignment of a trial date. Alamance immediately moved for an order for a stay until final decision of the North Carolina case. Accompanying Alamance's motion was an affidavit of its counsel, a Mr. Fletcher of New York, describing the North Carolina case and the extensive pretrial proceedings therein. These included depositions of some 25 witnesses comprising some 3500 pages of transcript, 400 exhibits, and an expenditure of substantial amounts of money. In an accompanying legal memorandum Alamance set forth the importance of the North Carolina action, and why it should be tried first. Filene's responded with an affidavit of counsel for the plaintiffs in the North Carolina suit, the thrust of which was that trial there could not be expected for four or five months.

The hearing on Alamance's motion for a stay took place on September 16. It was of short duration. It commenced by the court's inquiring how soon the defendant would be ready for trial. Mr. Hulbert replied, "Any time from thirty days on. . . . The case hangs as a cloud over the defendant, Filene's and Manchester Hosiery Mills." He stated in answer to a question, however, that he had "no way of knowing" what Filene's "volume of hosiery is."[1] He then said, "I don't say that it is necessarily urgent. This is one of numerous suits brought by the other side and hangs as a cloud over the industry." The court asked Mr. Fletcher why he did not want to try. Upon his refer-

[1] This statement apparently reflects, what is elsewhere made clear, that Filene's was thoroughly shielded from any "cloud" by an indemnity umbrella. Arguments now presented to us in respect to Filene's involvement must be considered in that light.

ring to the effort and expense in preparation for the trial in North Carolina, the court said, "Do you want to drop this one and go ahead in North Carolina?" Mr. Fletcher answered that he had offered to be bound by the decision on validity in North Carolina; that they had been working two years there and none here, and could not be ready here. Counsel then asked Mr. Hulbert if he would agree to a dismissal without prejudice, and received a negative answer. The court thereupon stated, "You go ahead in thirty days or as soon thereafter as you can be reached. . . . When you come here, you come here to a judge that disposes of business promptly for the public interest regardless of the private interests. I am not going to have a case —I don't care what any other judge has—which lasts on my docket an inexcusably long period of time. . . . You have gotten the defendant to spend money to get a lawyer." The court then offered counsel the choice of a dismissal with prejudice or trial in sixty days "and be bound thereby." Mr. Fletcher replied, "I think we will have to prepare for trial in sixty days."[2]

The court then proceeded to pretry the case. Mr. Hulbert announced that Manchester was "the party who is actively defending," offered to stipulate to infringement of claim one, but stated that he wished to try all claims. He further stated that Filene's had sold hosiery made by Burlington, but did not reply to Alamance's response that this was not in issue.[3] The defendant sought to file a

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[2] Throughout its brief defendant argues that Alamance "elected" to go to trial. So does a man who walks the plank "elect" to swim. This is not to say that there may not have been good cause to compel such action, but this is another matter.

[3] Defendant makes the statement that this constituted a "withdrawal" by Alamance. We find this surprising, since admittedly Burlington stockings were not being sold by Filene's when the complaint was filed. There was nothing to withdraw. Rather, we think counsel for defendant should have made fuller disclosure at the time of Burlington's interest. It now appears that subsequent to the filing

counterclaim, but withdrew the attempt when the court volunteered that trial would have to be delayed further if other issues were brought in.

On September 27, 1960, Alamance filed a formal motion under Rule 41(a)(2) to dismiss "without prejudice on the condition that plaintiffs shall never again sue the defendant, Filene's." In addition it offered to pay defendant's counsel fees and costs. Affidavits were filed by both sides. One of Filene's contained documents indicating that Alamance's suits against retailers, and its failure to sue manufacturers, were part of a preconceived plan to obtain maximum interference with the sale of infringing stockings at the retail level. These affidavits did not indicate, however, that Alamance was in any way delaying the trial of the North Carolina case. On the contrary, Filene's repeatedly told the court that Alamance was "moving Heaven and earth" (as if it were something reprehensible) to hasten the trial of the North Carolina case so that it could be heard first. Of even greater interest, because of the contention that it now makes, was its argument that Alamance had made a "binding" election at the September 16 hearing, totally precluding consideration of its new motion. Realizing that this might weaken its position before us, it now asserts that the new motion involved, and that the court exercised, discretion.

In view of this contention we will review briefly the proceedings of October 4, when argument on the motion was heard. The court first announced that it had read all the

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of the complaint Burlington had agreed to pay one-half of the fees and expenses, and that with the activation of the suit Burlington had agreed to pay three-quarters of the fee. There could be no better evidence that this had become a Burlington suit. It was not simply Manchester who was "actively defending." In defendant's brief before us it is now stated that Burlington's "interest was direct, immediate, *bona fide*, and indeed urgent." We take this last as meaning that it was urgent to Burlington to try this case ahead of the suit which it had brought in North Carolina.

papers and briefs. When Mr. Fletcher brought up the matter of discretion, the court replied, "Neither the defendant nor I asked that we be called upon, but we have been called upon, and having been invited we will stay until the conditions that we have laid down are met." Mr. Fletcher stated that he felt the terms of his motion were equivalent to a dismissal with prejudice as to the party in interest and thus met the court's previously stated conditions. The court. "No. If you so understood you did not understand what I said in the plainest language. . . . Speak now or you will be held to your original choice." After some discussion as to how long counsel would have so to elect, counsel stated, "I didn't take what you said before as a binding ruling, your Honor." The court. "That is merely because you don't know me."

On this record it cannot be suggested that the court exercised a new discretion on October 4. Accordingly, we review the correctness of the court's decision as of September 16, and not as an exercise of discretion in the light of any subsequent information.

Before leaving this subject, we mention briefly that in early November new, Massachusetts, counsel appeared for Alamance. At this time Alamance again requested a stay and again sought to dismiss—this time in alternative forms: simply "without prejudice," or upon whatever terms and conditions the court would properly determine. Counsel brought to the court's attention, seemingly for the first time, the request of the North Carolina court that other cases should not proceed, but the court stated that nothing would influence it to change its mind. Thereafter, on November 16 the court took evidence from the defendant, Alamance remaining mute, following which the complaint was dismissed and extensive findings were made. Alamance appeals.

We may agree that so many suits were a cloud over the

industry and should not have been brought. But we feel far more strongly that the present case should not have been activated and insisted upon by the defense. Forcing a trial, assuming this suit was harassing too, did not cure any harm caused by Alamance's having initiated vexatious litigation against other retail outlets. The other suits were not vexatious as against Filene's, nor, so far as appears, as against Manchester. Insofar as they were vexatious to Burlington, this was not a concern of the court below where Burlington's stockings were not involved. Furthermore, even if the present suit was vexatious as against Filene's, this would be fully expiated by the proposed dismissal with prejudice. We do not regard one single retailer suit as vexatious against Manchester.

Apparently what principally lay behind the district court's determination to try the case is to be found in its remark, made at the first hearing, that the "public interest" of not having a case lie on its docket for fourteen months must control "regardless of private interest." We cannot accept this statement either as the formulation of a generally applicable principle or as a proper criterion for the disposition of this particular case. Courts exist to serve the parties, and not to serve themselves, or to present a record with respect to dispatch of business. Complaints heard as to the law's delays arise because the delay has injured litigants, not the courts. For the court to consider expedition for its own sake "regardless" of the litigants is to emphasize secondary considerations over primary.[4]

If, in speaking of the public interest in speedy trials, the court could be regarded as making special reference to patent litigation, see, e.g., *Bresnick* v. *United States Vitamin Corp.*, 2 Cir., 1943, 139 F.2d 239, 242;

[4] We do not, of course, mean by this that the court does not have an interest in disposing of its docket. But that is not to say that the calendar is to be a mechanical measure.

Mercoid Corp. v. *Mid-Continent Investment Co.*, 1944, 320 U.S. 661, 665, that interest was centered in North Carolina. A trial there was inevitable in any event. That suit was the principal one, and North Carolina was the primary forum in which to try—not only because it was first, but because of the number of substantial parties before the court, and the time and effort which had been spent in preparation. See *Kerotest Mfg. Co.* v. *C-O-Two Fire Equipment Co.*, 3 Cir., 1951, 189 F.2d 31, 34-35, *affirmed*, 342 U.S. 180; *Northern Ins. Co. of New York* v. *Grone*, D.C.M.D. Pa., 1954, 126 F. Supp. 457, 458; *cf. Kerotest Mfg. Co.* v. *C-O-Two Fire Equipment Co.*, 1952, 342 U.S. 180, 183-84. Indeed, quite possibly the North Carolina court could have enjoined Burlington's affirmative pressing of the Massachusetts case for trial. See *Martin* v. *Graybar Elec. Co.*, 7 Cir., 1959, 266 F.2d 202, 203-05; *Barber-Greene Co.* v. *Blaw-Knox Co.*, 6 Cir., 1957, 239 F.2d 774, 778; *cf. Kerotest Mfg. Co.* v. *C-O-Two Fire Equipment Co.*, *supra*, at 184-85; *Dwinell-Wright Co.* v. *National Fruit Product Co.*, 1 Cir., 1942, 129 F.2d 848, 852. The North Carolina action was proceeding with all diligence. Nothing was to be gained by an additional trial in Massachusetts which could have been entirely obviated by the stipulation proposed by Alamance.[5] Nor, as we have already said, was there any public interest furthered by some principle of punishing Alamance for having brought other suits.

If, in fact, the court made any attempt to weigh the competing private interest of the parties, it was equally in error. Much of defendant's brief is devoted to arguing that Alamance could have been ready for trial. The question is not whether it was physically possible, but whether

[5] Filene's now argues that Alamance made no specific offer to be bound with respect to Manchester, as distinguished from Filene's, by the outcome of the North Carolina case. This seems an obvious afterthought. Neither the court nor counsel explored the extent of Alamance's offer.

it was necessary. While there is no absolute right to dismiss on terms, *Diamond* v. *United States,* 5 Cir., 1959, 267 F.2d 23, 25, *cert. den.*, 361 U.S. 834, the intendment of Rule 41(a)(2) is primarily to prevent voluntary dismissals which unfairly affect the other side, and to permit the imposition of curative conditions. 5 Moore, Federal Practice ¶41.05 (2d ed. 1951). Whether, and on what terms, a dismissal without prejudice may be granted, is a matter left initially to the trial court's discretion. *Larsen* v. *Switzer,* 8 Cir., 1950, 183 F.2d 850, 851; see *Shaffer* v. *Evans,* 10 Cir., 1958, 263 F.2d 134, 135, *cert. den.*, 359 U.S. 990; *Adney* v. *Mississippi Lime Co. of Missouri,* 7 Cir., 1957, 241 F.2d 43, 45-46; *Lyman* v. *United States,* 1 Cir., 1944, 138 F.2d 509, *cert. den.*, 320 U.S. 800. But that does not excuse the failure to exercise any discretion, see *Martin* v. *Graybar Elec. Co., supra,* at 203; *cf. Grivas* v. *Parmelee Transp. Co.,* 7 Cir., 1953, 207 F.2d 334, 338, *cert. den.*, 347 U.S. 913; *Harvey Aluminum, Inc.* v. *American Cyanamid Co.*, D.C.S.D.N.Y., 1953, 15 F.R.D. 14, 18, or save from reversal an unpermitted exercise. We have already expressed our belief that the court did not even purport to exercise discretion. But were we to assume that it did, the reasons given—that Alamance had brought the suit, and obliged the defendant to employ counsel to file an answer—were patently insufficient. These were merely a recitation of the very circumstances that call the rule into play. Something else was needed, and we find nothing else present. By the dismissal offered Filene's would, of course, be protected. Burlington had no right to be. Since Manchester, although a competitor of Burlington, was willing to be represented by Burlington counsel in Massachusetts, we see no hardship for it to be so represented in North Carolina. Infringement was admitted. On the question of validity, the place of trial could not have been vital. As to date of trial, Manchester had indicated no urgency until Burlington's counsel had appeared, with Burlington as-

suming three-quarters of the expense. Finally, if the makeup of the court was thought important, this was a matter scarcely to be encouraged.

The suit must be remanded to the district court. If, within thirty days, Alamance moves to dismiss with no further action to be brought against defendant Filene's, that motion should be granted. If, in addition, the defendant requests a stipulation that Alamance and Manchester be bound, *inter sese*, by the final outcome of the North Carolina suit, (now pending on appeal) Alamance shall accede, and it shall assist Manchester's intervention if Manchester so wishes.

Judgment will be entered vacating the findings and judgment of the District Court, and remanding the action to that court for further proceedings consistent herewith.

On the same day, May 24, 1961, the following judgment was entered:

JUDGMENT

May 24, 1961.

This cause came on to be heard on appeal from the United States District Court for the District of Massachusetts, and was argued by counsel.

Upon consideration whereof, It is now here ordered, adjudged and decreed as follows: The findings and the judgment of the District Court are vacated, and the action is remanded to that Court for further proceedings consistent with the opinion passed down this day.

By the Court:

Approved:
(s) PETER WOODBURY
Ch. J.

(s) ROGER A. STINCHFIELD
Clerk

Thereafter on June 6, 1961, mandate was stayed.

STATUTES INVOLVED

28 U.S.C. Sec. 2106, 62 Stat. 963

"The Supreme Court or any other court of appellate jurisdiction may affirm, modify, vacate, set aside or reverse any judgment, decree or order of a court lawfully brought before it for review, and may remand the cause and direct the entry of such appropriate judgment, decree, or order, or require such further proceedings to be had as may be just under the circumstances."

28 U.S.C. Sec. 2111, 63 Stat. 105

"On the hearing of any appeal or writ of certiorari in any case, the court shall give judgment after an examination of the record without regard to errors or defects which do not affect the substantial rights of the parties."

Rule 41 (a)(2), Federal Rules of Civil Procedure

"*By Order of Court.* Except as provided in paragraph (1) of this subdivision of this rule, an action shall not be dismissed at the plaintiff's instance save upon order of the court and upon such terms and conditions as the court deems proper. If a counterclaim has been pleaded by a defendant prior to the service upon him of the plaintiff's motion to dismiss, the action shall not be dismissed against the defendant's objection unless the counterclaim can remain pending for independent adjudication by the court. Unless otherwise specified in the order, a dismissal under this paragraph is without prejudice."

Rule 61, Federal Rules of Civil Procedure

"No error in either the admission or the exclusion of evidence and no error or defect in any ruling or

order or in anything done or omitted by the court or by any of the parties is ground for granting a new trial or for setting aside a verdict or for vacating, modifying or otherwise disturbing a judgment or order, unless refusal to take such action appears to the court inconsistent with substantial justice. The court at every stage of the proceeding must disregard any error or defect in the proceeding which does not affect the substantial rights of the parties."

Supplemental Record Appendix

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS
Civil Action No. 59-582-W

Alamance Industries, Inc.,
Kayser-Roth Corporation, and
Kayser-Roth Hosiery Co., Inc.,
PLAINTIFFS

v.

Filene's,
DEFENDANT

DEFENDANT'S MEMORANDUM IN OPPOSITION TO PLAINTIFFS' MOTION FOR DISMISSAL

THE MOTION

Plaintiffs have moved for discretionary dismissal without prejudice under Rule 41(a) on condition that "the plaintiffs shall never again sue the defendant, Filene's . . . for infringement of [the patent in suit]." The proposed order awards taxable costs to defendant. Plaintiffs' counsel have since the motion was filed also offered to pay Filene's attorneys' fees. The motion is stated to be based "on the ground that, no counterclaim having been pleaded against the plaintiffs, such dismissal *will in no way inconvenience or prejudice the defendant.*"*

THE FACTS

The facts and circumstances which should be considered by the court are set forth in some detail in papers already filed in this case, together with an affidavit and accompanying exhibits of David Rabin, Esq., of Greensboro, North Carolina, and an affidavit of the undersigned counsel in this case.

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* Emphasis added.

Briefly, the suit is for infringement of a patent on an elastic stocking made of stretch nylon without rubber threads and said to have therapeutic qualities of compression when worn. The patent issued on July 8, 1958, to plaintiff, Alamance Industries, Inc., a North Carolina corporation, which is a subsidiary of plaintiff, Kayser-Roth Corporation, and which has no place of business outside of North Carolina and can be sued only there. The named inventors are Kayser-Roth employees.

When the patent issued the plaintiffs herein initiated a program of enforcement as outlined by some of the exhibits attached to the Rabin affidavit. Notices of infringement were sent to the trade but no one anywhere was sued for infringement. Finally five hosiery mills, Triumph Hosiery Mills, Inc., Hudson Hosiery Company, Burlington Industries, Inc., Claussner Hosiery Company, and McCallum Hosiery Company, brought a declaratory judgment suit in Greensboro, North Carolina, the only forum available, against the here plaintiffs, seeking an adjudication of the patent. That case was filed on December 18, 1958.

More notices to the trade followed. Although plaintiffs knew that allegedly infringing "Ironwear" hosiery sold by Filene's was made by Manchester Hosiery Mills, no suit was brought against such manufacturer, but at length, on July 23, 1959, this suit was instituted against Filene's, a retailer of "Ironwear." The policy of suing retailers and jobbers, instead of manufacturers, to enforce the patent was a considered one (Exhibits to Rabin affidavit). Filene's is being defended by Manchester Hosiery Mills and Burlington Industries, Inc.

Then, on November 2, 1959, these plaintiffs brought infringement suits against six more retailers or jobbers, (including R. H. Macy in New York, Gimbel Bros. in New York, Gold Medal Hosiery in New York, The Bon Marche

in the State of Washington, and L. S. Donaldson Stores in Minnesota), as well as one in this District against H. Glaser & Son, a wholesaler, C.A. No. 59-841-S (Rabin Aff.). The Glaser suit involves a counterclaim under the anti-trust laws. When Glaser sought to commence discovery proceedings, plaintiffs opposed on the grounds that full discovery had been had in the Greensboro case, and defendant Glaser could make use of it. Mr. Fletcher wrote to the undersigned on May 10, 1960:

> "It seems logical, therefore, subject to what little differences, if any, exist between that case and the above case, that your client would not want to waste its time and your time and the expense involved in going over this situation again. I highly recommend that you make arrangements with David Rabin, who you know I am sure would be friendly to you, to study these depositions before going ahead on this case, on the theory that 98% of your work has been done already."

He agreed that the prior discovery could be used by Glaser, but he moved to stay the case pending the decision in Greensboro. Judge Sweeney denied the motion, as this Court did a similar motion in the instant case. Mr. Fletcher has now said he refuses to consent to use of this discovery in this, the Filene's case (Hulbert Aff., pp. 4-4a).

So far as is known, none of the other cases brought by these plaintiffs against other retailers and jobbers has been pressed for trial. Now that the present case has been set for trial, plaintiffs want to get rid of it, and they contend that the defendant, Filene's, will be just as well off with a covenant not to sue as it would with an adjudication on the merits.* Furthermore, by inaccurate and misleading repre-

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* For reasons given below (pp. 7, 8) this is not even a waiver of damages for alleged infringement by Filene's which would still be collectible in a suit against Filene's manufacturers.

sentations to the Greensboro Court, they have sought to move heaven and earth for a prior trial in Greensboro in October, in the same breath saying they cannot be ready for trial here in November in spite of spending $100,000 for preparation of trial on the merits on the same issue in the South (Hulbert Aff.).

ARGUMENT

Plaintiffs Are Bound by Their Prior Election

Before this Court on September 16, 1960, Mr. Fletcher for plaintiffs was given the choice of dismissing with prejudice or being prepared for trial in sixty days. The Court said, "Take one choice or the other and be bound thereby." Mr. Fletcher replied, "I think we will have to prepare for trial in sixty days." (Tr. 7).

It is submitted that the present motion is, therefore, out of order and should be denied for this reason alone.

In ANY Event Dismissal Should Be Denied

The premise that defendant Filene's would be "afforded full relief" by a covenant not to sue it again for infringing this patent is unsound. It is understood that general counsel for Filene's will appear at the hearing on this motion to state first-hand Filene's position on this matter. Further, because of the public interest in the adjudication of a patent whose validity is questioned and the inequitable conduct of plaintiffs, this Court in its discretion should deny the motion.

Plaintiff's Conduct

Plaintiffs have given themselves away. The suits which they brought against retailers and jobbers apparently were never intended in good faith to be tried. Said Mr. Fletcher, in his affidavit herein dated September 8, 1960:

"19. This suit, although begun subsequent to the North Carolina suit, was filed in the belief that its filing was necessary in order to avoid the possible defenses of laches and estoppel and the effect of the statute of limitations, 35 U.S.C. 286, for recovery in patent cases; it being the normal expectation that the first suit to be filed, placing the issue of validity of said patent before a Court of proper jurisdiction would be the proper place to dispose of that issue."

Can this statement be construed in any other way than as an admission that when this suit was filed plaintiffs had no intention to try it? Couple this with the admissions contained in the exhibits attached to the Rabin affidavit and we have a picture of harassment, not a picture of *bona fide* attempts to adjudicate a patent. Are plaintiffs to be allowed to file suits at will against retailers and jobbers, and to drop them one by one when trial becomes imminent? The excuse that possible defenses of laches and estoppel and running of the statute against a retail store, Filene's, justifies permitting a suit to be brought but not be tried misconceives the function of the judicial system. Courts exist to adjudicate controversies; they are not instruments of harassment to be invoked by plaintiffs who wish not an adjudication, but to avoid one. An infringing manufacturer of an infringing article is liable for all damages suffered by the patentee including whatever is attributable to resales by jobbers and distributors. Plaintiffs knew Manchester was the source of the "Ironwear" stockings. If they wished to toll the statute (six years from July 8, 1958, 35 U.S.C. Sec. 286), and to avoid other possible defenses, why did they not sue the manufacturer where damages for all his sales everywhere, as well as all the vendees' resales, would be collectible? Furthermore, it is not laches to fail to sue all infringers at once (*Clair* v. *Kaster, Inc.*, 148 F.2d 644 (2 Cir. 1945) (L. Hand, J.)).

Also it is clearly untrue that an adjudication in Greensboro will "dispose of that issue [of patent validity]" with respect to Manchester or Filene's, neither of which is directly or indirectly a party in the South.

The inference that the suit is brought merely for harassment has been stated as a reason for refusing to dismiss (*Carlson Hoist & Machine Co.* v. *Valentine*, 96 F.2d 147 (2 Cir. 1938)).

Coupled with the foregoing conduct of the plaintiff is the misrepresentation by them to the Greensboro Court of what has happened here in Boston. This conduct is outlined in the Hulbert affidavit filed herewith, and which was prepared for use in the Greensboro case. Not the least of these misrepresentations was the description of how the time for trial herein was extended from thirty to sixty days. They attributed to the undersigned a request for sixty instead of thirty days. This was in fact a concession to "help" Brother Fletcher (Tr. 6). Whereupon they attempted to persuade the Greensboro Court to utilize the extra thirty days' time for a trial in October, such trial having previously been indicated as possible in January or February 1961.

The Boston case, they say, is impossible to prepare for trial, though the Greensboro case involving the same issue of patent validity,* the same evidence, the same attorneys and the same experts, they say can be tried in October! Mr. Fletcher, in his affidavit herein dated September 8, 1960, said that all the work in Greensboro "with the exception of the limited question of infringement in this case** will be available for use at the trial herein so that the engagement of additional experts for this case would be

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* Mr. Fletcher characterized this Filene's case on page 1 of his Memorandum herein supporting his motion to stay as "a simple suit for patent infringement."

** which stands in substance conceded.

uneconomical, and hence, this has not been done." If the work would be available after the Greensboro trial, and that case is ready for trial now (as plaintiffs have represented to the Greensboro Court), why cannot it be available in Boston before that trial? No word of explanation has been offered. An antipathy to Boston must have developed after plaintiffs selected it as the forum in which to sue Filene's.

The Proposed Order Would Not Afford Defendant Full Relief nor Is the Order in the Public Interest

Apart from the fact that this dismissal proposed by plaintiffs would be a condonation and endorsement of their policy of harrassment, it should not be granted for other and compelling reasons.

The principal decision, we are told, relied upon by plaintiffs in support of this motion is *Ransburg Electro-Coating Corp.* v. *Hamilton Mfg. Co.*, 159 F. Supp. 159 (E.D. Wis. 1958) (Grubb, J.). There the court permitted a dismissal without prejudice but with a covenant never to sue the defendant again, based on the specific finding that (p. 160):

> "The court believes the defendant will be amply protected if plaintiff gives to the defendant an undertaking that it will not at any time in the future during the life of the two patents in suit assert these patents against the defendant. . . . "

The foregoing should be compared with the reasoning in *Lackner** wherein the rights of the defendant and the public interest were stated as reasons for denying dismissal. See also *Georgia Pine.*** It seems clear that in *Ransburg* the action was against a manufacturer, not a retailer. With a covenant not to sue him, a manufacturer (if not the

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* *Lackner Co.* v. *Quehl Sign Co.*, 145 F.2d 932 (CCA 6, 1944)

** *Georgia Pine Turpentine Co.* v. *Bilfinger*, 129 Fed. 131 (W.D. N.C. 1904)

public) would have the same protection he would have had by an adjudication of invalidity or non-infringement. But Filene's is not a manufacturer, it is a retailer. It depends on hosiery mills for its supplies of hosiery, the more sources the better. What good is the proposed covenant not to sue, if Filene's is denied any source of this type of hosiery except the plaintiffs? Filene's is protected only to the extent that its suppliers are protected. Dismissal would leave no pending suit in which Manchester could litigate the validity of the patent.

Moreover, dismissal coupled with a covenant not to sue would leave Filene's in a dilemma as to whether or not to continue to devote time, effort and expense in promoting the sale of allegedly infringing brands, knowing that some time one or more of them might become unavailable because of action by the patentee. This is no small consideration in major retail store and another reason why Filene's needs an adjudication of the patent promptly in this case. Without it the patent would continue as a cloud over the industry and a burden to Filene's. A decision of invalidity would give Filene's its rightful protection, assuring it access to more than one source of this all-nylon support hosiery. A decision of validity would establish the rights of the plaintiffs.

Manchester has openly controlled the defense of this suit from the start. Its general counsel signed the Answer. Indeed, it is well known that suits against customers are not ordinarily defended unless by the manufacturer. Thus, decision here would be binding on Manchester, whether favorable or unfavorable, and it would be manifestly unfair to permit dismissal without allowing *res judicata* its full sweep to protect Manchester and its other customers against later suits.

Even were Manchester's control of the litigation not known to plaintiff, it would still produce injustice to per-

mit dismissal without precluding further suits against Manchester or its customers.

First of all, plaintiffs' bringing this suit had immediate impact on Manchester in that it seriously by its very existence impaired the likelihood Manchester might be able to have its rights effectively adjudicated in a declaratory judgment suit elsewhere. Thus, the stay of a manufacturer's declaratory judgment suit in favor of the patent owner's earlier customer suit was affirmed in the leading decision in the field, *Kerotest Mfg. Co.* v. *C-O-Two Co.*, 342 U.S. 180 (1952).* To the same effect was *Trumatic Machine & Tool Co.* v. *O. M. Scott & Sons Co.*, 180 F. Supp. 838 (S.D.N.Y. 1960). It would be manifestly unfair to let plaintiff dismiss this suit without reference to Manchester's rights, forcing upon Manchester the delay incident to bringing a new suit at this late date, when by bringing its suit plaintiff made impractical, under the above authorities, Manchester's thereafter having its rights resolved in another suit filed while this one was pending.

Furthermore, Manchester had the burden and expense of defending this suit even if it could have simultaneously prosecuted a second one elsewhere. *Van Brode Milling Co.* v. *Kravex Mfg. Corp.*, 116 USPQ 385 (EDNY 1958). We submit it properly concluded that one law suit was enough to resolve its rights—and that a proper concern for judicial conservation of time and effort can hardly fail to commend this conclusion.

The Absence of a Counterclaim is Immaterial

A counterclaim for invalidity would have placed in issue the same issue already raised by the Complaint and Answer. Courts, albeit not unanimously, have held that coun-

* Although the manufacturer had been joined in the customer suit after it had brought its declaratory judgment suit, the same thing could of course have been done here.

terclaims in such circumstances will be dismissed; that they are redundant. The fact that none has been filed does not control, and the matter in any event remains in the sound discretion of the Court. *Stadium Mfg. Co.* v. *Plymouth Pajama Corporation*, 24 F. Supp. 779 (D. Mass. 1937); *Scruggs* v. *Casco Corporation*, 32 F. Supp. 625; 45 USPQ 681 (D. Conn. 1940).

CONCLUSION

For the above reasons, the motion should be denied.

(s) W. R. HULBERT
W. R. Hulbert
84 State Street
Boston 9, Massachusetts
Attorney for Defendant

Dated: October 3, 1960

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS

Civil Action No. 59-582-W

Alamance Industries, Inc.,
Kayser-Roth Corporation, and
Kayser-Roth Hosiery Co., Inc.,
PLAINTIFFS

v.

Filene's,
DEFENDANT

DEFENDANT'S MEMORANDUM WITH RESPECT TO PLAINTIFFS' MOTION TO DISMISS WITH PREJUDICE

PRELIMINARY STATEMENT

Almost on the eve of the trial, plaintiffs have moved to dismiss the case with prejudice. They have asserted that

they "are totally unprepared" for trial.* Since the trial date was set almost two months ago, final preparation for trial in behalf of defendant has been completed at substantial expense by its indemnitors, Manchester Hosiery Mills and Burlington Industries, Inc. The accused sale of stockings by Filene's prior to the filing of the Complaint were of particular stockings manufactured by Manchester Hosiery Mills. Shortly after the Complaint was filed, Filene's made sales of the Burlington Support Stocking of Burlington Industries, Inc., which plaintiffs have elsewhere accused of infringing the patent. Thus, both Manchester and Burlington are in the position of a person who is not a party, but controls or participates in an action or defense because a judgment on the issues in the action will make certain or destroy a contingent obligation against him. The issue of patent validity will be adjudicated not only for or against Filene's but for or against its indemnitors. It would be manifest injustice to dispose of this case in any manner which would permit plaintiffs again to sue the defendant or the defendant's privies for infringement of this Bird patent No. 2,841,971.

The Assertion of Total Unpreparedness Is Frivolous

From the documents and the affidavits and other papers already of record in this case, it is more than an inference that the plaintiffs have misrepresented to this court that they are not ready for trial. They and their patent attorneys are ready. Defendant concedes that Charles F. Choate, Esq., is not ready for trial, but this is irrelevant. He was retained only a few days before the trial date for the purposes of this motion and has no previous connection with the patent or the case.

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* Transcript Hearing Nov. 8, 1960, p. 2

There has been not one word of explanation in this case as to why plaintiffs cannot proceed to trial with any one or more of the numerous experienced attorneys who have been connected with this and companion litigation for from one and a half to two years, utilizing the witnesses, testimony, and evidence which plaintiffs and these attorneys have assembled, cataloged, identified, and filed in the Greensboro case, directed to this same issue of patent validity.

No, it is not because the plaintiffs are not ready for trial. It is because they affirmatively do not wish to try this case that they have filed this motion. They have chosen Massachusetts as the forum in which to file their Bill of Complaint and to this date assert they want a trial but are unprepared. They have already elected not to dismiss when the court offered the opportunity before the trial date. Their tactics of harassment need no further exposure for they are manifest. The frivolousness of the assertion, together with the other tactics of plaintiffs are further compelling reasons for denying any disposition of the case which arguably would not constitute an adjudication on the merits of patent invalidity.

Res Adjudicata and Collateral Estoppel

It is clear that a cause of action for patent infringement because of an act of infringement (manufacture, use or sale of a particular article) prior to the filing of the Complaint in an infringement suit is barred by *res adjudicata* by reason of a dismissal with prejudice. But it is *not* so clear that, without more, such a dismissal would bar future suits against the defendant or its privies because of manufacture, use or sale of other articles. See: *Cromwell* v. *County of Sac.*, 94 U.S. 351 (1876); *Lawlor* v. *National Screen Service*, 349 U.S. 322 (1955); *Restatement of the Law of Judgments* (1942) §§ 46, 48, 68. Are these plaintiffs, in the

light of all that has happened in this case, to be permitted arguably to place themselves in a better position by a last minute motion to dismiss than they would be following a trial and adjudication on the merits holding the patent invalid? Not only the defendants and its privies but the public is entitled to a holding of invalidity. Certainly nothing could be more unfair to Manchester than to place it in jeopardy of future suits or force it to bring a declaratory judgment action in North Carolina to determine an issue which it should rightfully be entitled to litigate here.

As has already been pointed out, defendant has conceded infringement at least of Claim 1 of the patent and the principal issue is that of validity. Defendant should be allowed to introduce its evidence to show invalidity to enable the court to make appropriate findings.

The Court Has Wide Discretion to Make Such Order As Will Afford Genuine Protection to The Defendant

Under Rule 41 F.R.C.P. and inherently the court has broad powers and discretion.

In its exercise the court may consider prior abuses of its process: See *Gumbel* v. *Pitkin*, 124 U.S. 131, 145-146, as well as the legitimacy of the movant's grounds, and the probability of further suits or other consequences if the instant case be merely dismissed. We submit that—

If the issue of validity is not clearly determined by the dismissal, justice requires that the case go to trial and final decree so that all the parties in interest will have their rights determined with regard to future conduct.

Carlson Hoist & Machine Co. v. *Valentine*, 96 F.2d 147 (2 Cir. 1938).

Compare:

Georgia Pine Turpentine Co. v. *Bilfinger*, 129 Fed. 131 (W.D.N.C. 1904).

Phillips Petroleum Co. v. *Shell Development Co.*, 6 F.R.D. 406 (D. Del. 1947).

Knaust Bros. v. *Goldschlag*, 28 F. Supp. 188 (S.D.N.Y. 1939).

Hills v. *Federal Optical Co.*, 295 F. 213 (D. Mass. 1923).

In addition to protecting the plaintiff as to further possible infringement, and the other parties in interest, a trial will be for the benefit of the consuming public. In patent matters the public interest is defended only by willing defendants.

See *Lackner* v. *Quehl Sign Co.*, 145 F.2d 932, 934 (6 Cir. 1944).

For the foregoing reasons defendant should be allowed to go forward and introduce its evidence of invalidity.

Respectfully submitted,

W. R. HULBERT

Attorney for Defendant

Boston, Massachusetts
November , 1960

Affidavits Accompanying Defendant-Appellee's Memorandum Opposing Plaintiffs-Appellants' Motion to Stay Judgment.

EXHIBIT B

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIRST CIRCUIT

No. 5781

Alamance Industries, Inc.,
Kayser-Roth Corporation, and
Kayser-Roth Hosiery Co., Inc.,
PLAINTIFFS-APPELLANTS

v.

Filene's,
DEFENDANT-APPELLEE

AFFIDAVIT OF W. R. HULBERT

W. R. Hulbert, being duly sworn, says:

1. I am attorney for defendant-appellee herein, as well as for Manchester Hosiery Mills and Burlington Industries, Inc., which latter two corporations jointly and openly controlled the defense of the action above-entitled, the trial of which below I conducted.

2. Defendant-appellee Filene's was selling prior to the trial stockings made by both Manchester and Burlington, and both had agreed to hold Filene's harmless against any claim of infringement. It is true that at the time of filing of the Complaint, Filene's had not actually commenced the sale of Burlington Support Stockings, if this fact be relevant. That both Burlington and Manchester were controlling the defense herein was known to plaintiffs-appellants long before said trial.

3. From the date I appeared for defendant-appellee, both Burlington and Manchester have at all times instructed me to proceed as expeditiously as possible toward obtaining

adjudication of this action. I have neither made any agreement nor concurred in any suggestion that this action lie dormant pending decision of the North Carolina action or otherwise. Neither defendant-appellee nor Manchester is directly or indirectly a party to said North Carolina action. Further, Manchester and Burlington are unrelated business entities and are competitors with each other.

4. Although the present relevancy of Mr. Choate's assertion to the contrary is not apparent, I was never clearly or unequivocally notified by Mr. Choate or anyone else that the plaintiffs were not going forward with any evidence until on November 15, 1960, when the case was called for trial, they refused to introduce evidence. I did not understand that by reason of any representation made to me plaintiffs had committed themselves in any way not to call witnesses or introduce evidence at the trial.

5. One of the seven retailer and distributor suits brought by plaintiffs was brought in the District of Massachusetts against H. Glaser & Son, Inc., C. A. 59-581-S. On December 1, 1960, a motion for summary judgment was filed therein on the ground of *res judicata* for reasons similar to those advanced in the Seattle suit mentioned in Mr. Choate's affidavit. Judge Sweeney has not yet set this motion for hearing.

(s) W. R. HULBERT
W. R. HULBERT

COMMONWEALTH OF MASSACHUSETTS:
COUNTY OF SUFFOLK:

Subscribed and sworn to before me this 18th day of January, 1961.

(s) WILLIAM W. RYMER
Notary Public
My Commission expires
September 10, 1965

(Seal)

EXHIBIT C

AFFIDAVIT OF THORNTON H. BROOKS

THORNTON H. BROOKS, first being duly sworn, deposes and says that:

1. I am an attorney of Greensboro, North Carolina, and a partner in the firm of McLendon, Brim, Holderness & Brooks. I am a member of the Bar of the State of North Carolina, of the United States District Court of North Carolina, of the United States Court of Appeals for the Fourth Circuit, and of the Supreme Court of the United States. I am an attorney of record for the plaintiffs in the action of *Triumph Hosiery Mills, Inc., Hudson Hosiery Company, Burlington Industries, Inc., Claussner Hosiery Company, and McCallum Hosiery Company, plaintiffs,* v. *Alamance Industries, Inc., Kayser-Roth Corporation, and Kayser-Roth Hosiery Company, Inc., defendants,* Case No. C-232-G-58 (referred to in this affidavit as the North Carolina action), which is pending in the United States District Court for the Middle District of North Carolina, and am familiar with all records and proceedings in said action.

2. No motion, petition, or request has ever been filed or made in the North Carolina action by either party thereto that the instant action (*Filene's*) be stayed or postponed pending a trial of the North Carolina action. Nor has any order, court direction, or docket entry been entered in the North Carolina action which directly or indirectly stays or postpones the *Filene's* action, or that required that the proceedings therein remain dormant, or that suggested or requested the District Court to refrain from trying the *Filene's* case upon its merits as calendared on November 14, 1960, or that would prevent this Honorable Court from hearing the appeal from the judgment rendered by the District Court on 2 December 1960.

3. The parties to the North Carolina action have not entered into any agreement, written or verbal, which directly or indirectly prevented either party from preparing for the trial of the *Filson's* case or from participating in a trial thereof upon its merits in November 1960. Nor have the parties to the North Carolina action ever entered into any agreement, written or verbal, that the *Filson's* case should lie dormant pending a trial of the North Carolina action. Nor did the parties and the Court in the North Carolina action have any understanding that the *Filson's* case would lie dormant until the North Carolina action had been determined. As neither the named party defendant in the *Filson's* case nor one of the privies thereto who had openly undertaken the control and defense of that action, Manchester Hosiery Mills, was a party to the North Carolina action, no understanding, agreement, or stipulation was or could have been reached or entered into in the North Carolina action with regard to a trial and determination of the *Filson's* case.

This the 11th day of January, 1961.

(s) THORNTON H. BROOKS
THORNTON H. BROOKS

STATE OF NORTH CAROLINA:
COUNTY OF GUILFORD: ss.

Subscribed and sworn to before me this 11th day of January, 1961.

(s) FRANCES M. BRIDGES
Notary Public

My Commission expires: 2 5 62
(Seal)